Public
Employees
Pension
Plan

2011–2012
ANNUAL REPORT

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This annual report is available in electronic format at **www.peba.gov.sk.ca**

LETTERS OF TRANSMITTAL

Ken Krawetz
Minister of Finance

Her Honour, The Honourable Vaughn Solomon Schofield
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I respectfully submit the Annual Report of the Public Employees Pension Board for the fiscal year ending March 31, 2012.

Ken Krawetz
Minister of Finance

The Honourable Ken Krawetz
Minister of Finance

Sir:

On behalf of the Public Employees Pension Board, I have the honour of submitting the Annual Report of the Public Employees Pension Board for the fiscal year ending March 31, 2012.

Kenneth R. Horsman
Chair

CHAIR'S COMMENTS

"...the Board identified a number of investment option initiatives that will be rolled out over the next three years."

Kenneth R. Horsman
Chair

On behalf of the members of the Public Employees Pension Board (the Board), I am pleased to present the 2011 2012 Annual Report of the Public Employees Pension Plan (PEPP). The report details critical strategic plan activities and accomplishments, and pertinent Plan financial and investment information.

The Board remains focused on making decisions in the best interest of members. As such, it is committed to addressing members' changing needs by regularly reviewing the services it provides.

As a part of that commitment, the major focus for the Board was to conduct a review of PEPP's investment options in 2011. The review confirmed that the fundamental design of the Plan's investment options is sound. It also identified some new opportunities. As a result, the Board identified a number of investment option initiatives that will be rolled out over the next three years. The new initiatives are designed to provide members with improved returns over the long term, reduce their risk of loss, and provide them with retirement income guidance. The Board is confident these initiatives will place the Plan in a strong position for the future and give members the tools to make informed choices that will suit their time horizon, risk tolerance, and retirement goals, up to and during retirement.

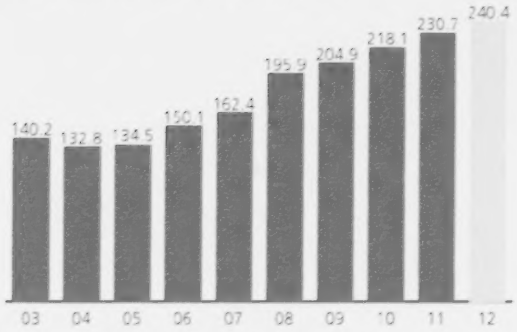
This spring members were provided with a new value-added service. Elements of the regular semi-annual Member Statement were combined with the annual Retire@Ease Statement. Information in this statement will help members create and/or modify their personal retirement plans. The combined statement will be mailed to members once a year, for the period ending March 31. The regular semi-annual statement will continue to be mailed to members each fall.

I am privileged to chair the Public Employees Pension Board and to present the 2011-2012 Annual Report.

Kenneth R. Horsman
Chair

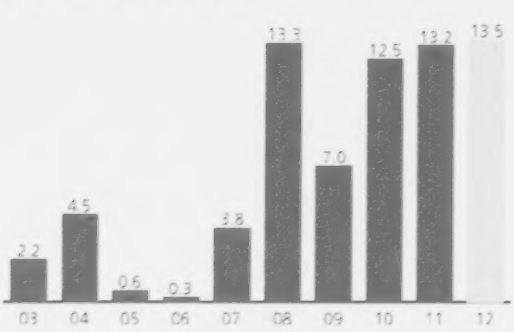
FINANCIAL HIGHLIGHTS

Total Contributions ($ millions)



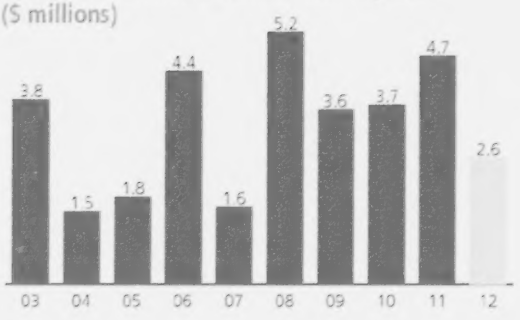
240.4
million
total contributions to the Plan

Total Transfers-in ($ millions)



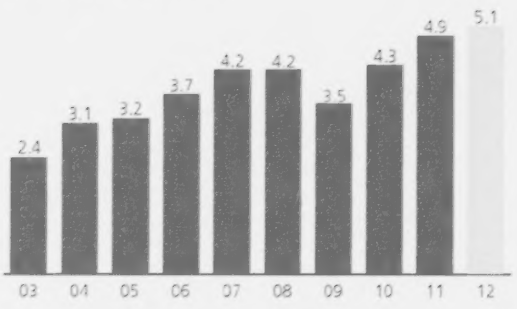
13.5
million
total transfers-in to the Plan

Transfers, Refunds & Termination Payments ($ millions)



2.6
million
total transfers-out of the Plan

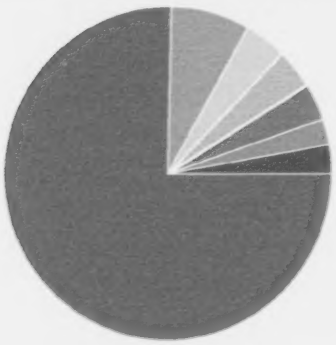
Total Assets ($ billions)



5.1
billion
total assets of the Plan

INVESTMENT HIGHLIGHTS

Assets by Investment Option ($ millions) (as at March 31, 2012)



3,839.5	Balanced Fund	183.1	Moderate Fund
390.1	Short-term Bond Fund	134.9	Conservative Fund
205.7	PEPP Steps Fund	130.0	Accelerated Growth Fund
199.7	Growth Fund		

PEPP Fees and Rates of Return[1] (as at March 31, 2012)

			(%)		
Fund	Gross Rate of Return	Fees PEBA & Board[2]	Fees Investments[3]	Net Rate of Return	Benchmark
Accelerated Growth	(0.6)	0.12	0.45	**(1.2)**	1.1
Growth	1.0	0.12	0.39	**0.5**	2.4
Balanced	2.3	0.12	0.32	**1.9**	3.3
Moderate	3.9	0.12	0.26	**3.5**	4.6
Conservative	5.1	0.12	0.14	**4.8**	5.8
Short-term Bond	5.0	0.12	0.12	**4.8**	4.4

[1] The rate of return and fee data for the PEPP Steps Fund varies with each step.
[2] Of the 0.12% fees shown, the Board accounts for less than 0.01%.
[3] Investment fees include fees for investment managers, consulting and custody

Table 1.0

Equity markets in general were mixed for the year, with Canadian and non-North American equity markets producing negative returns, lagging behind positive returns from U.S. equities. Strong performances by the domestic fixed income and real estate portfolios also contributed positively to the Plan. This led to the most aggressive asset allocation funds losing value over the year, while the more moderate and conservative funds were able to post limited gains.

PLAN PROFILE

$5.1
billion
Plan assets

51.3
thousand
Plan members

2.8
thousand
inter-fund transfers completed by Plan members online

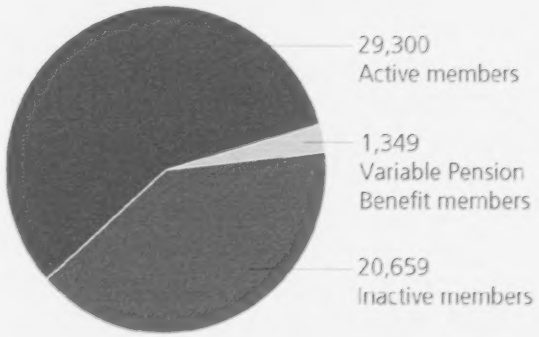
PEPP was established and is governed by *The Public Employees Pension Plan Act*. It is registered as a pension plan pursuant to *The Pension and Benefits Act, 1992* and the *Income Tax Act* (Canada).

The Public Employees Pension Plan (PEPP) has 79 participating employers and 51,308 members at March 31, 2012. Participating employers include the Government of Saskatchewan, Crown Corporations, agencies, boards and other public institutions.

PEPP is a defined contribution (DC) pension plan. A member's contributions and his or her employers' contributions, plus any return on investment, are used to provide a member with income based upon the account balance he or she has built at retirement.

Enrolment in the Plan is mandatory for employees who hold a permanent position with an employer participating in the Plan. Unless otherwise specified in an agreement, non-permanent employees may choose to join the Plan at any time.

Member and employer contributions are calculated as a percentage of the member's total gross regular earnings. Unless otherwise specified in an agreement, the contribution percentage is five per cent. Member contributions are made by payroll deduction.



Membership Activity

Membership at March 31, 2011	**50,236**
Add:	
Enrolment during the year	3,139
Variable Pension Benefit (VPB) enrolment	401
Less:	
Exiting members	2,468
Membership at March 31, 2012	**51,308**

Table 1.1

13.6
thousand
Plan members registered in PEPP *Access*

45.0
years
average age of active Plan members

79
employers
number of participating employers

Contributions to PEPP are tax deductible up to a maximum set by the *Income Tax Act* (Canada). Members do not pay taxes on contributions or the accumulated investment income until they withdraw an amount from the Plan.

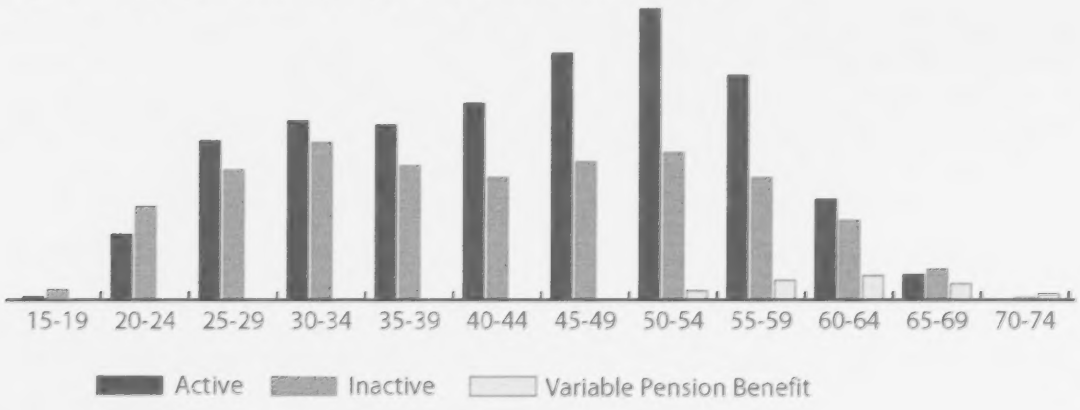
Contributions are forwarded to the Plan and are used to purchase units in the PEPP investment option of the member's choice.

Units are valued daily following market close. Once a new unit value is declared, member accounts are valued using the new unit value. Return on investment is reflected in the changing unit value. The amount the member receives at payout or transfer is calculated using the unit value in effect at the date of payment.

Members may retire and begin to receive retirement income at age 50 or older.

Members may defer purchasing a retirement income option after retirement. The *Income Tax Act* (Canada) states that a pension must begin by the end of the calendar year a member turns age 71.

Membership Distribution by Age Band as at March 31, 2012



PUBLIC EMPLOYEES PENSION BOARD

Board Members: *(left to right)*

Dennis Terry, Denise Macza, Cathy Uhersky, Jack Duvall, Michael Friebe, Kenneth R. Horsman, Derrick Goulet, Sean Engemoen, Kathy Martin

The Board consists of nine members; four are appointed on behalf of participating employers, four on behalf of employees. The Board conducts an external recruitment process to choose a Chair, who is appointed for a three-year term.

Public Employees Pension Board Members at March 31, 2012

Name	Position	Appointing Body
Kenneth R. Horsman	Chair	Public Employees Pension Board
Michael Friebe	Vice-Chair	Canadian Union of Public Employees Local 600
Jack Duvall	Member	Saskatchewan Government and General Employees' Union
Sean Engemoen	Member	Saskatchewan Institute of Applied Science and Technology Saskatchewan Liquor and Gaming Authority
Derrick Goulet	Member	International Brotherhood of Electrical Workers Union Local 2067
Denise Macza	Member	Public Service Commission
Kathy Martin	Member	Communications, Energy and Paperworkers Union of Canada
Dennis Terry	Member	SaskEnergy, SaskPower, SaskTel
Cathy Uhersky	Member	Saskatchewan Crop Insurance Corporation, Workers' Compensation Board, Saskatchewan Cancer Foundation

Table 1.2

PURPOSE

To provide lifetime retirement benefits to members.

MISSION

To manage the assets and expenses solely in the best interests of members.

GOALS

To ensure all Plan members are well informed about the plan and the choices they can make within the plan.

The Public Employees Pension Board (the Board) administers PEPP. The Board has the fiduciary responsibility for administering PEPP and managing the investment activities in the best interests of all PEPP members.

Board Education

The Board has an education program in place for Board members. The purpose of the program is to ensure the Board members possess a sound knowledge and understanding of pension, investment, and governance related issues. The Board budgets $5,000 per year for each Board member for registration fees. Expenses related to travel and accommodation are reimbursed at rates established by the Public Service Commission.

Upon appointment to the Board, new members receive a variety of orientation materials, and each member meets with the Board's Executive Secretary regarding Board materials and meeting process. New members are also assigned a mentor during their orientation period. Mentors are drawn from experienced Board members who are able to answer questions and offer guidance to the new member as required.

Board members are required to undertake a formal education program. The program provides a list of courses and seminars that deliver specific investment and governance-related information relevant to Board members.

- Within six months of appointment to the Board, members must complete a course on basic investment principles facilitated by the Board's administrator.
- Within one year, members must complete a course on pension investment management.
- Within two years, members must complete a course on basic trustee development.
- Within three years, members must complete a course on advanced trustee development.

The Board education program is to ensure Board members possess a sound knowledge and understanding of pension, investment and governance related issues.

Board members who have completed the formal education program are also required to attend one educational event annually that is facilitated by an industry-recognized pension and benefits organization. A Board member who is actively pursuing the formal education program is exempt from the obligations found in the ongoing development for all members. However, all members are strongly encouraged to attend an education event.

Conferences and other events attended by Board members as part of their ongoing education provide the Board with information on the current governance, investment and legal environment affecting pension plans. They also provide opportunities for Board members to meet with pension experts and pension trustees from other pension plans to discuss common issues.

Table 1.3 lists the education events attended by Board members to March 31, 2012.

Seminars, Courses and Other Events Attended by Board Members in 2011–2012

Name	Educational Events Attended		Total Expenses
Jack Duvall Appointed 2008	**Formal Education Program** Completed in 2009	**Ongoing Education** • PEBA Annual Pension Information Session[1]	$284
Sean Engemoen Appointed 2001	**Formal Education Program** Completed in 2008	**Ongoing Education** • PEBA Annual Pension Information Session • ATMS Part 2[2]	$2,903
Michael Friebe Appointed 2005	**Formal Education Program** Completed in 2007	**Ongoing Education** • Franklin Templeton Client Conference[3] • CFA Institute Annual Forecast	$2,232
Derrick Goulet Appointed 2005	**Formal Education Program** Completed in 2008	**Ongoing Education** • CPBI Saskatchewan Regional Conference[4] • PEBA Annual Pension Information Session	$1,536
Ken Horsman Retained 2005	**Formal Education Program** Completed in 2008	**Ongoing Education** • PEBA Annual Pension Information Session • Board Effectiveness Program, Rotman School of Management • CPBI Luncheon and Presentation	$16,705
Denise Macza Appointed 2001	**Formal Education Program** Completed in 2003	**Ongoing Education** • Institute of Corporate Directors Education Program • Directors Education Program Written Exam	$4,774

Name	Educational Events Attended		Total Expenses
Kathy Martin Appointed 2010	**Formal Education Program** • School of Pension Investment Management[2] • PEBA Investment Basics	**Ongoing Education** • CPBI Saskatchewan Regional Conference • PEBA Annual Pension Information Session	$5,315
Dennis Terry Appointed 2010	**Formal Education Program** Not yet commenced	**Ongoing Education** • PEBA Annual Pension Information Session	-
Cathy Uhersky Appointed 2005	**Formal Education Program** Completed in 2008	**Ongoing Education** • CPBI Forum • Franklin Templeton Client Conference	$2,804
		Total Expenditures	**$36,553**

Table 1.3

[1] This event is conducted by the Public Employees Benefits Agency (PEBA) for the various boards of trustees that it serves.
[2] Advanced Trustee Management Standards program, a four-part certificate program that is delivered by the International Foundation of Employee Benefits Plans. ATMS provides basic and advanced training in pension fund management and pension fund leadership for pension trustees.
[3] Franklin Templeton is one of the investment managers retained by the Board. Franklin Templeton offers this educational opportunity at no charge to trustees by whom it is retained. The Board has a policy regarding events of this type that Board members must follow to prevent any potential conflict of interest.
[4] Provided by the Canadian Pension and Benefits Institute.
[5] Provided by Mercer and the Schulich School of Business, York University.

Meeting Attendance

Members of the Board receive no compensation for the performance of their roles as Board members. They are remunerated for reasonable expenses for attending Board meetings and other functions in their capacity as Board members. The Chair is remunerated with a retainer and a per-meeting fee paid in accordance with a fee schedule set by the Board.

The Board met nine times in the 2011-2012 fiscal year. *Table 1.4* shows the number of meetings each Board member attended.

Name	Number of Meetings Attended
Kenneth R. Horsman	9
Michael Friebe	9
Jack Duvall	6
Sean Engemoen	7
Derrick Goulet	8
Denise Macza	7
Kathy Martin	9
Dennis Terry	9
Cathy Uhersky	8

Table 1.4

INVESTMENTS

Year In Review

The 2011-2012 fiscal year was challenging for equity investments. Investor sentiment was considerably negative during the first half of the year, leading to negative performance both in domestic and foreign equities. The ongoing sovereign debt concerns within the European Union were a major focal point throughout much of the year, with negotiations revolving around Greek debt and increasing yields for Spanish and Italian debt creating significant headwinds for the global economy. There was not much to offset this from the U.S., with its economy continuing to be sluggish. In an attempt to calm investor nervousness, the U.S. Federal Reserve went so far as to make the unorthodox move of pledging to keep interest rates low through 2013. Down to the wire negotiations on the U.S. debt ceiling between the two major political parties, along with cuts to China's growth forecasts compounded the pessimistic outlook prevalent in the first half of the year.

Pessimism began to turn into optimism during the second half of the fiscal year. In Europe, agreements were reached that would see a Greek default of 50 cents on the euro and impose austerity measures on the Greek budget in exchange for continued bail out funds from other European nations. In addition, all European Union members except for Great Britain agreed to make fiscal discipline mandatory for member countries which helped to temporarily alleviate concerns of a collapse of the common currency. The U.S. economy began to pick up steam as well, as indicated by strong and broad job growth.

In Canada, the economy continued to be somewhat limited as a result of continuing global headwinds. The gross domestic product (GDP) managed to edge up 1.6 per cent year over year as of February 2012, led by manufacturing and wholesale trade. Exports were greater than imports by $1.8 billion in 2011, the first time since 2008 that Canada has been a net exporter. Employment was up 1.1 per cent, or 197,000 jobs, the majority of which were full-time positions. This dropped the unemployment rate down to 7.2 per cent as of March 2012. And according to the Bank of Canada's core index, inflation was at 1.9 per cent year over year as of March 2012.

Pessimism began to turn into optimism during the second half of the fiscal year.

Performance of the domestic bond market was strong for most of the year, although it began to taper off in late 2011. The Bank of Canada left it's key overnight rate at 1.0 per cent over the entire year, as a response to global economic concerns and a pledge by its U.S. counterpart not to raise rates in 2012 or 2013. The Bank of Canada's bond yields dropped considerably, with the five-year bond yield dropping 1.2 per cent to 1.6 per cent, and the 10 year bond yield dropping 1.2 per cent to 2.1 per cent. The Canadian dollar, although slipping slightly in value relative to the U.S. dollar and other major currencies, remains strong relative to its historic performance.

Overview

The Plan offers members the choice of six asset allocation funds:

- Accelerated Growth Fund
- Growth Fund
- Balanced Fund
- Moderate Fund
- Conservative Fund
- PEPP Steps Fund

Members may invest in the Short-term Bond Fund, either in addition to or instead of, investing in one of the six asset allocation funds.

INVESTMENTS

Asset allocation funds invest in a mix of asset classes, including equities (Canadian and foreign), real estate, fixed income and cash equivalents. The mix depends on the fund: more conservative funds are weighted more heavily toward fixed-income investments, where more aggressive funds are weighted more heavily toward equities. The Short-term Bond Fund is invested solely in fixed income investments.

Equities offer the greatest potential return, but are exposed to a high level of market volatility, meaning they are susceptible to losses over the short term. As such, equities are best suited for long-term investors who are able to ride out short-term volatility in return for long-term growth potential.

Fixed-income investments, such as bonds and cash equivalents, are lower-volatility investments, meaning they are much better suited to capital preservation. For this reason, members with less tolerance for short-term volatility may prefer funds with a greater percentage of fixed income.

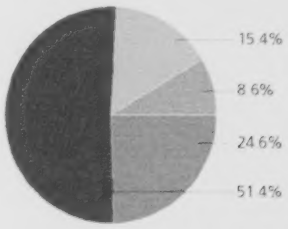
Members will want to make an investment choice that fits their risk tolerance and investment profile. PEPP's seven investment options offer members a range from the Accelerated Growth Fund, an equity-based fund, to the Conservative Fund to the Short-term Bond Fund, invested solely in fixed income investments.

The PEPP Steps Fund, the default investment fund for the Plan, is an asset allocation fund that automatically moves members to more conservative investments over time. Equity holdings decrease and bond holdings increase by increments of approximately five per cent for each of the 12 steps.

Investment Options*

Accelerated Growth Fund

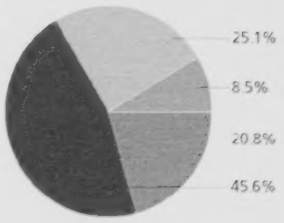
The Accelerated Growth Fund offers the highest risk and highest potential return. The goal of this fund is to provide capital growth over the long term. It invests primarily in equities. Foreign currency exposure for this fund is 35.5% (foreign exposure of 51.4%, less hedged exposure of 15.9%).



-0.6% Annualized Rate of Return LESS **0.57%** Fund Fees = **-1.2%** Net Rate of Return

Growth Fund

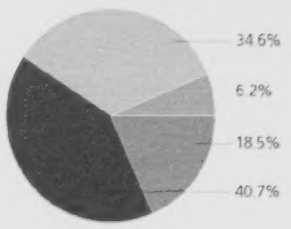
The Growth Fund is an aggressive fund, offering relatively high risk and relatively high potential return. Its goal is to provide capital growth over the long term by investing largely in equities. Foreign currency exposure for this fund is 32.3% (foreign exposure of 45.6%, less hedged exposure of 13.3%).



1.0% Annualized Rate of Return LESS **0.51%** Fund Fees = **0.5%** Net Rate of Return

Balanced Fund

The Balanced Fund offers relatively balanced potential risk and return. Its goal is to provide long-term capital growth. The Balanced Fund provides a target weight of 65 per cent for equities and real estate. Foreign currency exposure for this fund is 30.5% (foreign exposure of 40.7%, less hedged exposure of 10.2%).



2.3% Annualized Rate of Return LESS **0.44%** Fund Fees = **1.9%** Net Rate of Return

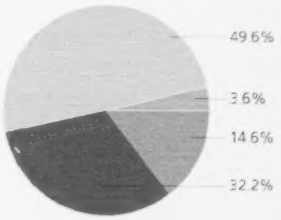
Fixed Income | Real Estate | Canadian Equity | Foreign Equity

* The pie charts for all of the investment options list the actual asset mix for each fund as at March 31, 2012.

INVESTMENTS

Moderate Fund

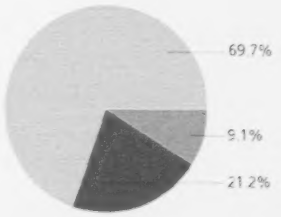
The Moderate Fund is designated to provide a balance of security and long-term growth by balancing the risk and potential returns of the major asset classes. It invests almost equally in fixed income and equities with a small allocation to real estate. Foreign currency exposure for this fund is 23.9% (foreign exposure of 32.2%, less hedged exposure of 8.3%)



3.9% Annualized Rate of Return LESS **0.38%** Fund Fees = **3.5%** Net Rate of Return

Conservative Fund

The Conservative Fund is designed to provide returns with little fluctuation. By focusing mainly on fixed income investments, it offers lower risk and lower potential for return than other PEPP asset allocation funds. Foreign currency exposure for this fund is 17.9% (foreign exposure of 21.2%, less hedged exposure of 3.3%).



5.1% Annualized Rate of Return LESS **0.26%** Fund Fees = **4.8%** Net Rate of Return

Short-term Bond Fund

The Short-term Bond Fund is the most conservative investment choice within PEPP and offers the lowest potential risks and returns. Because its goal is to preserve capital, it invests strictly in bonds with a maturity of five years or less. There is no foreign currency exposure for this fund.

5.0% Annualized Rate of Return LESS **0.24%** Fund Fees = **4.8%** Net Rate of Return

Fixed Income Real Estate Canadian Equity Foreign Equity

PEPP Steps Fund

The PEPP Steps Fund is the default investment fund for the Plan. It is made up of a diversified investment portfolio, which automatically moves members to more conservative investments in five year intervals. Equity holdings decrease and bond holdings increase by increments of about five per cent for each step. Because of its unique structure, the PEPP Steps Fund will not have a single rate of return or fee level. Fees range from 0.57% for PEPP Step 1 to 0.26% for PEPP Step 12.

PEPP Fees and Rates of Return[1] (as at March 31, 2011)

	(%)		
Fund	Gross Rate of Return	Fees	Net Rate of Return
PEPP Step 1	(0.6)	0.57	**(1.2)**
PEPP Step 2	0.0	0.54	**(0.5)**
PEPP Step 3	1.0	0.51	**0.5**
PEPP Step 4	1.6	0.48	**1.1**
PEPP Step 5	2.3	0.44	**1.9**
PEPP Step 6	2.8	0.42	**2.4**
PEPP Step 7	3.4	0.39	**3.0**
PEPP Step 8	3.9	0.38	**3.5**
PEPP Step 9	4.5	0.35	**4.1**
PEPP Step 10	4.8	0.32	**4.5**
PEPP Step 11	4.9	0.27	**4.6**
PEPP Step 12	5.1	0.26	**4.8**

Table 1.5

Fixed Income | Real Estate | Canadian Equity | Foreign Equity

Investment Managers

Within each asset class, one or more investment managers are used for each investment option. The use of different managers allows for further diversification of the investments within each investment option. Use of different investment managers allows the Plan to employ different investment styles that can focus on different regions or sectors for investment, reducing the risk that any one region, sector or style may suffer during any economic cycle or event.

Investment Manager Mandates

Investment Manger	Mandate	Description
GlobeFlex Capital, L.P. (GlobeFlex)	• Canadian Equities	Actively manages small cap Canadian equities
Greystone Managed Investments Inc. (Greystone)	• Canadian Equities	Actively manages Canadian equities
	• U.S. Equities	Actively manages U.S. equities, without currency hedging
	• Real Estate	Actively manages real estate
	• Fixed Income	Actively manages fixed income
	• Short-term Bonds	Actively manages the Short-term Bond Fund
Hansberger Global Investors Inc. (Hansberger)	• Non-North American Equities	Actively manages non-North American equites, without currency hedging
Hillsdale Investment Management (Hillsdale)	• Canadian Equities	Actively manages small and mid cap Canadian equities
BlackRock Asset Management Canada Inc. (BlackRock)	• U.S. Equities	Actively manages small and mid cap U.S. equities, without currency hedging
TD Asset Management Inc. (TDAM)	• Canadian Equities	Passively manages Canadian equities
	• U.S. Equities	Passively manages U.S. equities, without currency hedging
	• Fixed Income	Passively manages fixed income
	• Canadian Money Market	Actively manages Canadian money market
Franklin Templeton Investments Corp. (Templeton)	• Non-North American Equities	Actively manages non-North American equities, without currency hedging
Tweedy, Browne Company LLC (Tweedy)	• Non-North American Equities	Actively manages non-North American equities, with currency hedging

Table 1.6

Investment Performance

Within each asset class, one or more investment managers are used for each investment option. The use of different managers allows for further diversification of the investments within each investment option. Use of different investment managers allows the Plan to employ different investment styles that can focus on different regions or sectors for investment, reducing the risk that any one region, sector or style may suffer during any economic cycle or event.

	Net Rate of Return	
Canadian Equities	1-Year Return	4-Year Return
Canadian Equity Managers		
Greystone (active manager)	(14.1)	(2.3)
TDAM (passive manger)	(9.7)	1.1
Benchmark (S&P/TSX Capped Composite Index)	(9.8)	1.1
Canadian Small/Mid Cap Equity Manager		
Hillsdale (active manager)	(12.5)	(1.4)
Benchmark (S&P/TSX Completion Index)	(8.7)	2.7
Canadian Small Cap Equity Manager		
GlobeFlex (active manager)	(7.9)	(2.3)
Benchmark (BMO Small Cap Index)	(10.9)	5.8

Table 1.7

	Net Rate of Return	
U.S. Equities	1-Year Return	4-Year Return
U.S. Equity Managers		
Greystone (active manager)	9.5	3.1
TDAM (passive manger)	11.5	3.2
Benchmark (S&P 500 Index - $Cdn)	11.5	3.1
U.S. Small/Mid Cap Equity Manager		
BlackRock (active manager)	(6.9)	n/a
Benchmark (S&P US Small/Mid Cap Index - Hedged)	0.7	n/a

Table 1.8

Non-North American Equities	Net Rate of Return 1-Year Return	4-Year Return
Non-North American Equity Managers		
Hansberger (active manager)	(5.7)	(3.8)
Templeton (active manger)	(4.5)	(3.6)
Benchmark (MSCI EAFE Index - $Cdn)	(2.7)	(3.9)
Hedged Non-North American Equity Manager		
Tweedy (active manager)	5.1	0.4
Benchmark (MSCI EAFE Index - Hedged)	(4.0)	(3.1)

Table 1.9

Fixed Income	Net Rate of Return 1-Year Return	4-Year Return
Canadian Bond Managers		
Greystone (active manager)	9.8	6.9
TDAM (passive manger)	9.7	6.2
Benchmark (DEX Universe Bond Index)	9.7	6.3
Short-term Bond Manager		
Greystone (active manager)	4.9	4.8
Benchmark (DEX Short-term Bond Index)	4.4	4.5

Table 1.10

Real Estate	Net Rate of Return 1-Year Return	4-Year Return
Real Estate Manager		
Greystone (active manager)	14.4	7.1
Benchmark (IPD plus 1%)	15.0	7.5

Table 1.11

Cash and Equivalents	Net Rate of Return 1-Year Return	4-Year Return
Money Market Manager		
TDAM (active manager)	1.3	1.5
Benchmark (DEX 91-Day T-Bill Index)	1.0	1.1

Table 1.12

Notes:

During 2009, the Board terminated the U.S. equity mandate managed by Northwater Capital Management Inc. (Northwater). A less liquid portion of this mandate, consisting of a fund of hedge funds, is still held by the Plan and is been redeemed. Subsequent to termination, Northwater sold its fund of hedge funds operations to Crestline Investors Inc.

Investment Consulting

The Board retains Mercer (Canada) Limited for investment consulting services that include research and analysis of financial markets, market trends, investment managers, and investment performance, but also global trends in investments and pension plan design. Mercer (Canada) Limited was paid $737,517 in fees for the year ended March 31, 2012.

Investment Custody and Valuation

The Board retains RBC Dexia Investor Services Trust as the custodian of the Plan. The custodian is responsible for custody of all financial assets of the Plan (in the name of PEPP), settles all investment transactions and ensures all investment income (dividends and interest) is collected. The custodian also reports all investment transactions and conducts valuation for the Plan. The custodian was paid $1,477,080 for the year ended March 31, 2012.

Investment Administration

PEBA is retained by the Board for administration of the Plan's investment program. This includes declaring unit values for all investment options, monitoring of investment performance, communicating with external investment managers and the investment consultant, research, compliance monitoring and managing asset mix and cash flows.

Investment Manager Fees ($ thousands) (as at March 31, 2012)

3,316 Tweedy, Browne Company LLC

3,146 Greystone Managed Investments Inc.

1,872 Franklin Templeton Investments Corp.

1,593 BlackRock Asset Management Canada Inc.

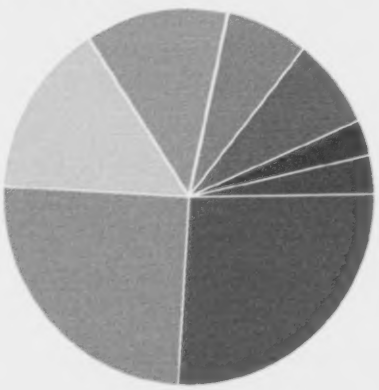
908 GlobeFlex Capital L.P.

952 Hillsdale Investment Management Inc.

398 Crestline Investors Inc.

405 TD Asset Management Inc.

$12,590 Total Investment Manager Fees*



* No fees are shown for Hansberger, the sub-advisor to Greystone for their Non-North American equity mandate. The Board pays all fees for this mandate to Greystone, who in turn compensates Hansberger.

PLAN ADMINISTRATION

Public Employees Pension (PEPP)
Pension Information Officer

The Board has delegated the day-to-day administration of the Plan and management of its assets to PEBA. The cost for this is charged to the Fund. PEBA is a branch of the Ministry of Finance. PEBA administers a wide range of pension and benefit plans.

Under contract with the Board, PEBA provides all services required to operate, administer and manage the Plan in a manner consistent with and according to all statutory provisions and regulations that apply to the Plan.

To administer the Plan, PEBA:

- maintains all member and accounting records;
- collects and deposits contributions to the Fund;
- transfers contributions to the custodian of the Fund for investment;
- determines all questions of coverage, eligibility and methods of providing or arranging for the provision of benefits;
- calculates and pays all pension benefits;
- communicates with members and participating employers; and
- prepares the annual report.

PEBA also provides Senior Executive Officer services and Executive Secretary services to the Board. In 2011-2012, the Board paid PEBA $6,523,000 for administrative services.

Administration Service Standards

PEBA reports measurement against standards to the Board quarterly. *Table 1.13* and *Table 1.14* provide measurement results for the 2011-2012 year.

Under contract with the Board, PEBA provides all services required to operate, administer and manage the Plan.

PEBA Service Standards April 1, 2011 to March 31, 2012

Task	Completed	Met or Exceeded Standard		Standard (Days)*	Statutory Requirement (Days)**
		Number	%		
Statement on Termination of Membership (option letter)	3,313	3,152	95.1	4	90
Payment of Termination Benefits	1,498	1,402	93.6	4	-
Statement on Retirement (option letter)	431	394	91.4	4	90
Retirement Payments	2,180	2,022	92.8	4	-
Statement on Death (option letter)	95	88	92.6	5	90
Payment of Death Benefits	91	83	91.2	4	-
Pension Estimates-Variable Pension Benefit	671	638	95.1	4	
Pension Estimates-Annuity	695	659	94.8	4	-
Marriage Breakdown Estimates	112	109	97.3	5	-
Portability Transfer Values	38	33	86.8	5	-
Written Correspondence	3,633	3,633	100.0	5	-
Total	**12,757**	**12,213**	**95.7**		

Table 1.13

PEBA Periodic Requirements April 1, 2011 to March 31, 2012

Task	Completed	Met or Exceeded Standard		Standard (Days)*	Statutory Requirement (Days)**
		Number	%		
Member Statement	2	2	100.0	75	180
Reporting on Budget Variances	4	4	100.0	Quarterly	-
Proposed Annual Budget	1	1	100.0	By March 31	-
Performance Measurement	4	4	100.0	Quarterly	-
Board Decision Affecting Individual Clients	0	0	N/A	1 Month	-
Newsletter (*Pension Perspectives*)	4	4	100.0	Quarterly	-
Total	**15**	**15**	**100.0**		

Table 1.14

* Standard is set within the contract between the Board and PEBA.

** Statutory Requirement is a compliance standard within *The Pension Benefits Act, 1992* and *Regulation, 1993*.

STRATEGIC GOALS

The PEPP strategic business plan was developed within the context of the Plan's purpose, mission and goals.

Public Employees Pension (PEPP)
Plan Member

The Board has adopted a comprehensive governance process that includes regular strategic planning and risk assessment. The strategic goals of the PEPP Strategic Business Plan for 2012-2013 include:

A	B	C
Service Delivery, Design and Communications	**Plan Governance**	**Accountability**
Plan members have access to pension services and information which meet their needs.	The Board strives to be an industry leader in its pension plan governance practices.	Performance of the Plan and the Board's service providers is measured, managed, and reported.

The Board conducts a review of its strategic business plan annually. The strategic business plan is constructed on a rolling three-year basis.

STRATEGIC INITIATIVES

Public Employees Pension (PEPP)
Plan Member

A. SERVICE DELIVERY, DESIGN AND COMMUNICATIONS

The Board is committed to ensuring that Plan members have access to pension services and information which meet their needs.

The Board is determined to maintain its position as an industry leader in the value-added services the Plan provides to its members.

The Board is continually exploring leading industry practices, but its primary benchmark in Plan design and service delivery is the satisfaction of Plan members. The Board's goal is to ensure that Plan design and service delivery meet Plan member needs.

This means providing members with risk-appropriate investment options to enable them to make the investment choice that is most appropriate to their circumstances. It also means providing members with the information needed to make that choice.

The best way the Board can know whether the options and services it provides are meeting member needs is to ask members. The Board is committed to facilitating two-way communication with members to gather their feedback.

The Board's goal is to provide options and services that give members every reason to remain in the Plan and that attract the attention of other public-sector employers and employees who will seek to join the Plan.

The best way the Board can know whether the options and services it provides are meeting member needs is to ask members.

STRATEGIC INITIATIVES

Activities Accomplished in 2011-2012

Define the Plan's role in the provision of financial advice to members.

- The Plan began consultation with the Saskatchewan Financial Services Commission regarding a proposed model for the delivery of advice to Plan members to assist them with the decisions they must make as members of the Plan.

Enhance client self-service by expanding online capabilities.

- PEPP implemented software allowing online registration for educational events offered by the Plan in March 2011.
- PEPP investigated the potential for providing access to more information through the PEPP *Access* online account information system.
- PEPP investigated enabling newly-enrolled members to submit information via the website.
- PEPP has developed a secure means of permitting employers to remit contributions electronically. Investigation continues to determine what other functionality would benefit employers and the costs associated with developing those features.
- PEPP encourages members to use the PEPP *Access* online account information system and the Retire@Ease™ retirement planning tool through the Ready, Set, PEPP and Retire*With*Ease presentations. The Retire*With*Ease presentation includes a demo and overview of the retirement planning tool and Ready, Set, PEPP speaks to the features of PEPP *Access*.

Update suite of investment options.

- The Board completed a strategic review of the Plan's investment options and their ability to meet the ongoing needs of members, and it approved several measures intended to improve member outcomes.

Activities Planned for 2012-2013

- *The Plan will provide communication to Plan members regarding the Board's plan to improve member outcomes. Implementation of the Board's planned enhancements to the Plan will commence in 2012.*
- *The Plan will continue its consultation with the Saskatchewan Financial Services Commission regarding the provision of advice to Plan members to assist them with the decisions they must make as members of the Plan.*

B. PLAN GOVERNANCE

Pension plan governance refers to the roles and responsibilities of the Board and its service providers in fulfilling the Boards fiduciary* obligations to Plan members and their beneficiaries. The Board strives to be an industry leader in its pension plan governance practices.

The Board recognizes that good governance is crucial to the long-term success of the Plan. Good governance requires appropriate control mechanisms that encourage good decision making, proper and timely execution, and regular review and assessment. The Board has invested considerable effort in developing its governance practices and policies, and will continue to seek ways of improving its governance program.

Several ongoing initiatives have been implemented in this area, including:

- annual self assessment based on Canadian Association of Pension Supervisory Authorities Guidelines;
- annual self-assessment and periodic external assessment against the Guidelines for Capital Accumulation Plans and best practices;
- the creation of a Board Policy Manual with ongoing policy development; and
- periodic benchmarking of the Board's governance practices against the governance practices of other pension governing bodies through benchmarking surveys and audits.

The Board's primary objective in its pursuit of this goal is to improve its oversight of the Plan.

* *A fiduciary relationship is a legal term for a special type of relationship under the law where one party is bound to act strictly in the best interest of the beneficiary. An example of a fiduciary relationship is the relationship between a doctor and a patient: a doctor is bound to act honestly, in good faith, and strictly in the best interest of the patient.*

STRATEGIC INITIATIVES

Activities Accomplished in 2011-2012

Review Board practices, areas of focus, and Board/Management roles and responsibilities.

- The Board implemented a process for Board members to self-evaluate their educational needs in consultation with the Board Chair.
- The Board has implemented a process to evaluate the executive management services provided to the Board.
- The Board amended its educational program for Board members to include additional Plan-specific, Board-specific, and governance-focused content.

Implement a policy on director certification.

- The Board deferred development of a policy on director certification until Board members were able to attend additional courses to determine their value for Board member education.

Review alternate models for the administration of the Act to determine if the Board can better discharge its duties to Plan members.

- The Board deferred exploring alternate models for the administration of the Plan until it could discuss the topic at its annual strategic planning session in 2012.

Activities Planned for 2012-2013

- *Review the Plan's risk management program and develop a plan to address any items requiring attention.*

C. ACCOUNTABILITY

The Board measures, manages and reports on the performance of the Plan and its service providers.

The Board believes that good governance requires a strong focus on accountability, the basis of which is the establishment of measurable objectives, the monitoring of progress against these objectives, and the communication of the results to Plan stakeholders.

The Board has made considerable progress with respect to this goal, including:

- the establishment of service standards for the Plan administrator;
- the development and implementation of a strategic business plan; and
- annual Board member self assessment.

The Board has two primary objectives in its pursuit of this goal:

- The Board demonstrates that it governs the Plan responsibly.
- The Board demonstrates that it provides appropriate oversight of service providers.

Activities Accomplished in 2011-2012

Comprehensive review of the Plan's investment policy regarding environmental, social, and governance (ESG) considerations.

- The Board finalized the statement of its investment belief with regard to environmental, social, and governance considerations in the Plan's investment policy.

Implementation of the balanced scorecard.

- The Board received a revised balanced scorecard which included draft targets for several measures.

Activities Planned for 2012-2013

- *The Board will review additional recommendations with regard to the Plan's balanced scorecard and the Plan's enhanced reporting framework as a whole.*

RISK MANAGEMENT

Within its mandate, the Board is responsible for managing risks that could affect the operation of PEPP, the Plan's members and other stakeholders.

Annually, the Board will conduct a risk-management review. This annual review is designed to identify potential events and trends that may positively or negatively affect the Board's ability to achieve its strategic goals or maintain its operations. These events and trends are defined as risks.

Risk: The potential events and trends that may positively or negatively affect the operation of the Plan, the members or other stakeholders of the Plan or the attainment of strategic goals.

The risk management process and review ensures that the Board, along with its administrator, identifies and evaluates risks, ensures appropriate strategies are in place to manage these risks and reviews the performance of the risk-management strategies for the previous year.

The Risk Management Plan and its annual review ensure that a regular, documented process is in place for the management of the Plan's foreseeable risks. Documenting the rationale for arriving at decisions strengthens accountability and demonstrates due diligence.

The Board's Risk Management Philosophy Statement

The Board is committed to creating and maintaining value for the members of the Plan. The Plan faces risks as the Board fulfills this commitment. Therefore, the Board is responsible for managing all foreseeable risks that could affect the operation of the Plan and the Plan's stakeholders. Through its risk-management process, the Board identifies, measures, monitors and manages these risks in a manner that is consistent with the Board's governance model.

The Board is responsible for managing all foreseeable risks that could affect the operation of the Plan and the Plan's stakeholders.

Key Risks

In order to assist in the identification and assessment of all foreseeable risks in the Plan, the Board has identified the following key broad-based risks to the Plan:

Broad-based Risks		Key Risks
Strategic Risk	Strategic Risk is the risk of failing to meet objectives. Strategic risk is further categorized into governance, reputation, plan design and communication considerations.	• Failure to meet plan members' or participating employers' needs. • Lack of member understanding of the role of the pension plan in the attainment of their retirement objectives.
Financial Risk	In order to meet the long-term needs of members and employers, sustainable pension products responsive to and valued by members, employers, unions and the sponsor must be maintained. This must be achieved in a way that considers the affordability and adequacy of the Plan's services.	• Investment of assets. • Excessive costs/expenses. • Fraudulent activities of service providers, the administrator or the Board.
Regulatory Risk	Regulatory risk is the risk of not meeting objectives due to non-compliance with legislation or regulation, or due to changes in legislation or regulations, or precedent setting court decisions.	• Non-compliance with legislative and common law requirements. • Failure to meet fiduciary obligations to Plan members and their beneficiaries or obligations to other stakeholders.
Operational Risk	Operational risk is the risk of failing to meet objectives due to inadequate or failed internal processes, human performance, or technology, or due to external events. Operational risks includes service-provider risk, which is the risk of failing to meet objectives due to the inability or unwillingness of a service provider to fulfill its obligations.	• Errors and omissions by administrative agent or professional advisors. • Service provider unable to carry on business. • Poor performance of service providers.

The Board believes that these broad-based risks are integrated with each other and with the processes of the Plan. Therefore, the Board has resolved to retain a balanced approach in the management of all four types of risks.

RISK MANAGEMENT

The Board has developed and implemented strategies and ongoing business practices to manage risk.

The Board has developed and implemented these strategies and ongoing business practices to manage the following risks:

- The Board implemented a Statement of Investment Policies and Goals (SIP&G) that outlines the Board's investment beliefs and provides for risk management through diversification of asset classes, capital markets and investment managers.

  The SIP&G defines the benchmark to which investment performance is measured. The Board annually reviews the SIP&G.

  The Board communicates investment performance.

  Independent monitoring is carried out by:
  - PEBA;
  - Mercer (Canada) Ltd.;
  - RBC Dexia Investor Services; and
  - custodians of pooled funds used by the Board.

- The Board ensures initiatives and Plan-related activities are adequately funded through its budgeting process.

- The Board receives a report comparing the administrative costs for public-sector pension plans, including other public-sector defined contribution pension plans, annually.

- The Board reviews the performance standards for the Board's administrator quarterly, investment consultant annually, investment managers quarterly, and custodian semi-annually.

- The Board annually evaluates the performance of the executive management services provided by its administrator.

- The Board requires that service providers confirm that they maintain disaster recovery plans and adhere to a code of conduct.

- There are two levels of audit:
  - The Board retains Deloitte & Touche LLP to conduct an audit of the Plan.
  - The Provincial Auditor reports to the Legislative Assembly regarding the audit of the Plan.

- The Board has an Acquisition and Retention of Services policy that details how the Board is to retain and evaluate service providers.

- The Board's administrator reviews and reports compliance with legislative requirements annually.
- The Periodic Checklist is a list of major items identified by the Board that are necessary for the administration of a pension plan. The checklist allows verification that an activity has been carried out. The completed Periodic Checklist is provided to the Board on a semi annual basis.
- Board members are required to review and sign the Board's Code of Conduct and Conflict of Interest Procedures at least annually.
- The Board has outlined the education required to aid Board members in executing their fiduciary and governance duties.
- The Board formally reviews its Strategic Business Plan on a periodic basis.
- The Board regularly consults with legal counsel and outside advisors regarding issues on which it is deliberating.
- The Board retains service providers who are experts in the responsibilities to which they are assigned with respect to the Plan.
- PEBA staff provides retirement information seminars and individual information to Plan members.
- Information tools include member and employer seminars, employer bulletins and guides, website information, and written materials.
- The Board consults with Plan members and participating employers on a regular basis to determine their needs.

RISK MANAGEMENT

Activities Accomplished in 2011-2012

Board review of the Plan's investment options and how these options fit with the Plan's investment objectives.

- The Board reviewed and amended its investment policy in April 2011.

- The Board has completed a strategic initiative to review the investment options provided to members of the Plan and has approved several measures intended to improve member outcomes.

Periodic evaluation by the Board's administrator of the performance of the auditor, investment consultant and custodian.

- The Board reviewed the performance of its auditor in October 2011. The Board reviewed the performance of its custodian in September 2011 and January 2012. The Board reviewed the performance of its investment consultant in March 2012. The evaluations found the performance of all service providers to be satisfactory.

The Board will continue to receive quarterly updates comparing actual expenditures versus budgeted amounts.

- The Board received quarterly updates on its budget for the periods ending June, September, and December 2011, and March 2012.

The Board's auditor will audit PEBA's reporting of performance measures to the Board.

- The Plan's auditor, Deloitte and Touche LLP (Deloitte), reported to the Board in June 2011 on its audit of the administrator's reporting of its performance of administration tasks as it compared to the service standards. No exceptions were reported.

- In November 2011, the Board decided that this audit is no longer necessary and will not conduct it in the future unless circumstances warrant it.

The completed Periodic Checklist will be provided to the Board on a semi-annual basis.

- PEBA provided the Board with the final Periodic Checklist for 2010-2011 in May 2011 and the interim Periodic Checklist for the first six months of 2011-2012 in November 2011.

Other Activities Accomplished in 2011-2012

- PEBA enhanced its systems and processes for investment fund monitoring and unit value validation in 2011-2012.

- PEBA engaged an audit firm in 2011-2012 to design an audit program for PEBA's unit value processes. The purpose of the audit is to assure the Board that PEBA's processes for the calculation of PEPP daily unit values are appropriate and may be relied upon.

Activities Planned for 2012-2013

- The Board will oversee the implementation of the changes it directed be made to the Plan's investment options.

- The Board will continue to periodically evaluate the performance of its auditor, investment consultant, and custodian.

- The Board will continue to receive quarterly updates comparing actual expenditures versus budgeted amounts.

- The completed Periodic Checklist will be provided to the Board on a semi-annual basis.

- Work will continue in 2012-2013 on the audit program for PEBA's unit value processes in order to ensure that PEBA's processes are appropriate and may be relied upon. PEBA will report to the Board regarding the findings of the audit.

The Board will oversee the implementation of changes it directed to be made to the Plan's investment options.

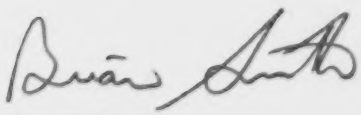
MANAGEMENT`S REPORT

To the Members of the Legislative Assembly of Saskatchewan

The Public Employees Pension Board is composed of four members appointed on behalf of participating employers, four members appointed on behalf of employees, and a Chairperson selected through a formal recruitment process. The Board is responsible for financial administration, administration of the funds and management of assets.

The financial statements, which follow, have been prepared by management in conformity with Canadian generally accepted accounting principles and have been approved by the Board. Management uses internal controls and exercises its best judgment in order that the financial statements reflect fairly the financial position of the Plan.

The financial statements were examined by Deloitte & Touche LLP. Their report follows.



Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Kara Marchand, CMA
Director, Corporate Services
Public Employees Benefits Agency

Regina, Saskatchewan
June 27, 2012

FINANCIAL STATEMENTS (as at March 31, 2012)

Public Employees Pension (PEPP)
Plan Member

PUBLIC EMPLOYEES PENSION BOARD

PUBLIC EMPLOYEES PENSION PLAN

INDEPENDENT AUDITOR'S REPORT

Deloitte.

To the Members of the Legislative Assembly of Saskatchewan:

We have audited the accompanying financial statements of the Public Employees Pension Plan, which comprise the statements of financial position as at March 31, 2012 and March 31, 2011, and the statements of changes in net assets available for benefits for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Public Employees Pension Plan as at March 31, 2012, and March 31, 2011 and the changes in net assets available for benefits for the years then ended in accordance with Canadian accounting standards for pension plans.

Deloitte & Touche LLP

Chartered Accountants
June 27, 2012
Regina, Saskatchewan

Public Employees Pension Plan **Statement 1**
Statement of Financial Position

	(in thousands) March 31 2012	March 31 2011	April 1 2010 (Note 3g)
ASSETS			
Investments (Note 4)			
Short-term	$ 36,328	$ 34,769	$ 26,265
Bonds and debentures	778,759	552,196	534,090
Equities	1,420,294	1,526,467	1,370,009
Pooled funds	2,418,771	2,305,623	2,100,752
Real estate	-	-	5,742
Investments under securities lending program	391,188	458,099	303,607
	5,045,340	4,877,154	4,340,465
Receivables			
Contributions receivable - employee	1,923	2,578	2,540
Contributions receivable - employer	1,990	2,656	3,067
Accrued investment income	8,749	8,176	8,361
	12,662	13,410	13,968
Cash	38,965	30,919	40,029
Due from General Revenue Fund (Note 7)	4,564	2,175	1,855
Total assets	5,101,531	4,923,658	4,396,317
LIABILITIES			
Administrative expenses payable	6,001	4,117	2,350
Refunds, transfers and other payables	1,227	3,211	1,268
Total liabilities	7,228	7,328	3,618
NET ASSETS AVAILABLE FOR BENEFITS	$ 5,094,303	$ 4,916,330	$ 4,392,699

(See accompanying notes to the financial statements)
(See Schedule 1 for Statement of Financial Position by Investment Option)

Public Employees Pension Plan **Statement 2**
Statement of Changes in Net Assets Available for Benefits

For the Year Ended March 31

	(in thousands) 2012	2011
INCREASE IN ASSETS		
Investment income		
Interest	$ 27,930	$ 26,101
Pooled funds	77,716	67,540
Dividends	44,665	45,892
Other	79	225
	150,390	139,758
Change in fair value of investments	-	328,638
Contributions		
Employee contributions	113,922	108,576
Employer contributions	126,431	122,097
External transfers in	13,514	13,242
	253,867	243,915
Total increase in assets	404,257	712,311
DECREASE IN ASSETS		
Transfers, refunds and benefits (Note 6)	160,403	160,314
Transfers to Saskatchewan Pension Annuity Fund	10,528	5,009
Investment transaction costs	3,820	3,682
Administrative expenses (Note 8)	20,590	19,675
	195,341	188,680
Change in fair value of investments	30,943	-
Total decrease in assets	226,284	188,680
Net increase in net assets	177,973	523,631
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	4,916,330	4,392,699
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	$ 5,094,303	$ 4,916,330

(See accompanying notes to the financial statements)
(See Schedule 2 for Statement of Changes in Net Assets Available for Benefits by Investment Option)

Public Employees Pension Plan
Notes to the Financial Statements

March 31, 2012

1. Description of Plan

The following description of the Public Employees Pension Plan is a summary only. For more complete information, reference should be made to the Plan text.

a) General

The *Public Employees Pension Plan Act* (the "Act") is the legislative authority for the Public Employees Pension Plan (the "Plan") which is domiciled in Regina, Saskatchewan, and which is a defined contribution plan that covers the employees of a number of government entities. Effective September 1, 2002, the Plan also covers the Members of the Legislative Assembly.

The Act established the Plan to accumulate all contributions and earnings for plan members. The Plan consists of five asset allocation Funds: the Accelerated Growth Fund; the Growth Fund; the Balanced Fund; the Moderate Fund; the Conservative Fund; one lifecycle Fund: the PEPP Steps Fund; and the Short-term Bond Fund.

All Funds receive and hold, in trust for members, contributions from the members and employers ("participants") and investment income derived from the Plan's investments.

All Funds hold varying percentages of bonds, equities, real estate, mortgages, pooled funds, short-term investments and derivative financial instruments. The asset mix of each fund is established based on the expected volatility of the underlying securities and assets. The Accelerated Growth Fund is considered the most volatile and contains the highest percentage of equities relative to fixed income investments of all the funds. The Short-term Bond Fund is considered the least volatile and contains the lowest percentage of equities relative to fixed income investments.

Effective November 1, 2007, members of PEPP may choose either one of the five asset allocation funds or the PEPP Steps Fund. In addition, each member may also choose the Short-term Bond Fund.

The Plan uses a unitized method of plan participation whereby each member has a certain number of units of ownership in the net assets of the investment funds. Investment income including changes in the market value of the investments and expenses is reflected in the market value of the net asset value per unit of participation. The total available to a member upon termination or retirement is equal to the particular member's account balance at that date, subject to certain vesting and other specific rules governing the Plan.

The Plan introduced a Variable Pension Benefit option ("VPB") in May 2006 whereby retired members could elect to withdraw all or some of their pension funds either through lump-sum withdrawals or scheduled monthly payments. Members who participate in the VPB may choose to invest in any of the funds which are offered by the Plan.

b) **Administration**

The Act established the Public Employees Pension Board ("Pension Board") to administer the Plan. The Pension Board is comprised of nine members: four are appointed on behalf of participating employers, four on behalf of employees. The Board conducts an external recruitment process to choose a Chair, who is appointed for a three-year term. The Public Employees Benefits Agency ("PEBA") is under contract with the Board to provide day-to-day administration.

c) **Retirement**

Members may retire as early as age 50.

Upon retirement a member may choose to receive a VPB from the Plan or to purchase an annuity from the Saskatchewan Pension Annuity Fund or from a private company that issues annuities.

Alternatively, the funds may be left in the Plan to continue to accumulate earnings to provide retirement income beginning no later than the end of the calendar year in which the member reaches age 71, be transferred to a Locked-in Retirement Account or, after age 50, to a Locked-in Retirement Income Fund, Life Income Fund or a Life Annuity from the Saskatchewan Pension Annuity Fund, or be transferred to another pension plan which has a reciprocal agreement with the Plan.

Members who elect to receive a VPB retain their account balances within the Plan. Those members who purchase their annuities from the Saskatchewan Pension Annuity Fund have their accumulated balance in the Plan at the date of retirement transferred to the Saskatchewan Pension Annuity Fund.

A VPB is a periodic payment made from a registered plan to a member of that plan and which must conform to certain minimum payment requirements but not to any maximum payment requirements.

d) **Completeness of Contributions**

Participants are responsible for the accuracy and completeness of member contributions remitted to the Plan. Accordingly, these financial statements presume the accuracy and completeness of the participants' contributions.

2. Basis of Preparation

a) **Statement of Compliance**

The financial statements for the year ended March 31, 2012 have been prepared in accordance with Canadian accounting standards for pension plans as defined in the Canadian Institute of Chartered Accountants ("CICA") Handbook section 4600, *Pension Plans*. For matters not addressed in Section 4600, International Financial Reporting Standards ("IFRSs") have been followed.

The plan was previously prepared in accordance with CICA Handbook section 4100 and while there are differences between these sections, there were no differences that affected the financial position of the Plan.

These financial statements were authorized and issued by the Board on June 27, 2012.

b) **Functional and Presentation Currency**

These financial statements are presented in Canadian Dollars, which is the Plan's functional currency, and are rounded to the nearest thousand unless otherwise noted.

3. Significant Accounting Policies

The significant accounting policies are as follows:

a) **Investments**

Investments are classified as held for trading and are stated at fair value. The change in the fair value of investments from the beginning to the end of each year is reflected in the statement of changes in net assets available for benefits.

Fair value of investments is determined as follows:

Short-term investments are valued at cost which, together with accrued investment income, approximates fair value given the short-term nature of these investments.

Bonds and equities are valued at year-end quoted bid prices from recognized security dealers and accredited stock exchanges on which the security is principally traded.

Pooled fund investments are valued at the unit value supplied by the pooled fund administrator, which represent the underlying net assets of the pooled fund at fair values determined using closing bid prices.

Real estate is valued using market values from independent appraisals. The frequency of real estate appraisals occurs at least semi-annually.

Investments in derivative financial instruments, including futures, forwards and option contracts, are valued at year end quoted market prices where available. Where quoted market prices are not available, values are determined using pricing models, which take into account current market and contractual prices of the underlying instruments, as well as time value and yield curve or volatility factors underlying the position.

Investment transactions are recorded on the trade date.

b) **Other Assets and Financial Liabilities**

Accounts receivable are classified as loans and receivables and accounts payable are classified as other financial liabilities and are measured at amortized cost. Due to their short-term nature, the amortized cost of these instruments approximates their fair value.

c) **Investment Income and Transaction Costs**

Investment income, which is recorded on the accrual basis, includes interest income, dividends and real estate operating income. Brokers' commissions and other transaction costs are recognized in the statement of changes in net assets available for benefits in the period incurred.

d) **Foreign Currency Translation**

Monetary items denominated in foreign currency are translated at the exchange rate in effect at year-end. Investments, revenue and expense items are translated at the exchange rate in effect at the transaction date. Gains and losses arising on translation at year-end are included in the change in market value of the investments.

e) **Income Taxes**

The Plan is a registered pension plan, as defined by the *Income Tax Act* (Canada) and, accordingly, is not subject to income taxes.

f) **Use of Estimates and Judgments**

The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statement and the recorded amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the valuation of investments. Actual results could differ from these estimates.

g) **Adoption of new Accounting Standards**

Effective April 1, 2010, the financial statements have been prepared in accordance with Canadian accounting standards for pension plans as outlined in the CICA Handbook, section 4600, Pension Plans. These standards were required to be adopted with retrospective restatement. The transition to the new standards did not require any changes to the prior year figures or the Plan's accounting policies. The opening statement of financial position in accordance with section 4600 as of April 1, 2010 has been disclosed for comparative purposes.

h) **Future Accounting Policy Changes**

A number of new standards, amendments to standards and interpretations which become effective for annual periods beginning on or after January 1, 2013 and which may have an impact on the Plan, include: IFRS 9, Financial Instruments; IFRS 12, Disclosure of Interests in Other Entities; and IFRS 13, Fair Value Measurement. The extent of the impact on adoption of these standards is not known at this time, but is not expected to be material.

4. Investments

The carrying values of the Plan's investments are as follows:

	(in thousands)		
	2012	**2011**	**April 1, 2010**
Short-term	$ 36,328	$ 34,769	$ 26,265
Bonds and debentures	778,759	552,196	534,090
Canadian equities	455,572	578,848	526,571
U.S. equities	410,238	409,310	370,328
Global equities	554,484	538,309	473,110
Short-term investment pooled fund	176,200	53,383	52,312
Fixed income pooled fund	1,027,990	1,078,803	983,936
Canadian equity pooled fund	219,783	254,245	210,999
U.S. equity pooled funds	470,081	438,984	420,615
Global equity pooled funds	237,332	229,681	212,541
Real estate pooled fund	287,385	250,527	220,349
Real estate	-	-	5,742
	$4,654,152	**$4,419,055**	**$4,036,858**
Investments under securities lending:			
Short-term	$ 1,676	$ 1,169	$ -
Bonds and debentures	78,519	113,513	50,041
Canadian equities	146,891	116,833	85,686
U.S. equities	54,513	88,133	45,311
Global equities	109,589	138,451	122,569
	$ 391,188	**$ 458,099**	**$ 303,607**

Security Lending Program

Through its custodian, the Plan participates in an investment security lending program for the purpose of generating fee income. Non-cash collateral of at least 105% of the market value of the loaned securities is retained by the Plan until the loaned securities have been returned (see Securities Collateral note). The market value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market value of the loaned securities fluctuates. In addition, the custodian provides indemnification against any potential losses in the securities lending program. While in the possession of counterparties, the loaned securities may be resold or re-pledged by such counterparties.

Short-term Investments

Short-term investments are comprised of treasury bills, notes and commercial paper with effective rates of 0.11% to 1.30% (2011 – 0.10% to 1.00%), and an average remaining term to maturity of 66 days (2011 - 75 days).

The Plan's investment policy states that investments must meet a minimum investment standard of "A2/P2" or equivalent rating by a recognized credit rating service.

Other than the Government of Canada, no single issue represents more than 20.78% (2011 – 14.71%) of the market value of the short-term investment portfolio.

Bonds and Debentures

2012 (in thousands)

Years to Maturity	Federal	Provincial	Municipal	Corporate	Total Market Value	Coupon Rate	Effective Interest Rate
Under 5	$ 294,796	$ 54,351	$ -	$ 199,717	$ 548,864	0.75% - 5.95%	1.75%
5 to 10	31,586	31,046	13,604	89,187	165,423	1.90% - 11.00%	2.50%
Over 10	20,544	67,567	1,971	52,908	142,990	0.00% - 8.29%	3.55%
Market Value	$ 346,926	$152,964	$ 15,575	$ 341,812	$ 857,277		

2011 (in thousands)

Years to Maturity	Federal	Provincial	Municipal	Corporate	Total Market Value	Coupon Rate	Effective Interest Rate
Under 5	$ 212,510	$ 26,889	$ -	$ 145,489	$ 384,888	1.25% - 6.75%	2.35%
5 to 10	1,546	25,605	14,668	86,401	128,220	3.37% - 11.00%	3.64%
Over 10	43,846	55,990	1,758	51,007	152,601	0.00% - 8.29%	4.25%
Market Value	$ 257,902	$108,484	$ 16,426	$ 282,897	$ 665,709		

April 1, 2010 (in thousands)

Years to Maturity	Federal	Provincial	Municipal	Corporate	Total Market Value	Coupon Rate	Effective Interest Rate
Under 5	$ 169,124	$ 21,656	$ -	$ 133,342	$ 324,122	0.48% - 6.75%	3.68%
5 to 10	12,357	26,726	12,635	59,768	111,486	2.26% - 6.02%	4.51%
Over 10	30,662	53,921	1,678	62,262	148,523	0.00% - 11.00%	4.95%
Market Value	$ 212,143	$102,303	$ 14,313	$ 255,372	$ 584,131		

Included in the above amounts of corporate bonds are foreign bonds, issued in Canadian currency, with a market value of $4.2 million (2011 - $4.2 million). Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties. As at March 31, 2012, approximately $6.6 million (2011 - $6.6 million) in asset-backed securities is included in bonds.

Equities

The Plan's investment policy allows no one holding to represent more than 10% of the book value of the related portfolio and no one holding to represent more than 10% of the common stock in any corporation. As at March 31, 2012, the market value of the Plan's foreign equity investments in Canadian dollars amounted to $1,129 million (2011 - $1,174 million) and included currencies from regions around the world including Australia, Brazil, Chile, Croatia, Europe, Hong Kong, India, Israel, Japan, South Korea, Mexico, New Zealand, Norway, Singapore, Sweden, Switzerland, Thailand, United Kingdom, and United States. Foreign equities represent 65.20% (2011 – 62.80%) of the market value of the directly-held equity portfolio.

Dividends are generally declared on an annual basis. The Plan's equities include common shares that have no fixed maturity date and are generally not exposed to interest rate risk. The average dividend rate is 3.07% (2011 – 2.77%).

Pooled Funds

The Plan's investment policy limits pooled fund holdings to not more than 10% of the market value of the individual pooled fund. Exceptions to the 10% limit are allowed if provision has been made to transfer securities in kind when units of the pooled fund are sold.

The Plan's pooled funds are comprised of:

	Units Held (in thousands)			**% of Total Units Outstanding**			**Market Value** (in thousands)		
			April 1			April 1			April 1
	2012	2011	2010	2012	2011	2010	2012	2011	2010
Canadian Equity									
TD Emerald Canadian Market Capped Pooled Fund Trust	158,813	153,260	149,670	40.26%	39.63%	38.75%	$ 219,783	$ 243,517	$ 202,369
US Equity									
Hillsdale US Performance Equity Pooled Fund	105	107	113	15.75%	15.50%	8.64%	10,644	10,728	8,630
TD Emerald Pooled U.S. Fund	23,127	22,672	22,259	18.67%	21.55%	23.81%	459,437	411,915	372,427
Global Equity									
Greystone EAFE Growth Fund	24,613	24,131	23,800	13.76%	19.58%	19.31%	216,695	229,681	212,541
Trent River Offshore Class R1	1	1	2	16.13%	6.00%	9.10%	11,226	14,736	23,378
Trent River Offshore Class R2	1	1	2	100.00%	5.10%	9.70%	9,411	12,334	24,810
Fixed Income Fund									
TD Emerald Canadian Bond Pooled Fund Trust	93,858	102,641	93,346	23.44%	24.52%	23.59%	1,027,990	1,078,802	983,937
Other									
TD Emerald Canadian Short-Term Investment Fund	8,365	5,440	5,216	6.30%	2.76%	1.99%	176,200	53,383	52,311
Greystone Real Estate Fund	3,438	3,438	3,313	8.99%	10.03%	14.13%	287,385	250,527	220,349
							$ 2,418,771	$2,305,623	$2,100,752

The Trent River Offshore Funds at March 31, 2012 consist of $20.6 million (2011 - $27.1 million) invested in market neutral hedge funds. The hedge funds use a variety of investment strategies.

The TD Emerald Canadian Market Capped Pooled Fund Trust may invest in equity index futures to replicate the return of the S&P/TSX Composite Index components.

The TD Emerald Pooled U.S. Fund may invest in equity index futures to replicate the return of the S&P 500 Composite Index components.

The TD Emerald Canadian Bond Pooled Fund Trust may not invest in any derivative investments.

The Hillsdale US Performance Equity Pooled Fund may utilize forward contracts, swaps, futures contracts, options and other investments to hedge against currency or to achieve its investment objectives.

The TD Emerald Canadian Short Term Investment Fund may use derivatives such as options, futures, forward contracts and swaps provided the reasons for use are consistent with the Fund's objectives and strategies. The Fund does not use derivatives for speculative trading or to create a portfolio with excess leverage.

The Greystone EAFE Growth Fund may invest in futures contracts, forward contracts, or other derivatives provided the reasons for doing so are consistent with the investment objectives of the pooled fund.

Investments in real estate consist of Canadian commercial property held directly by the Greystone Real Estate Fund. The market appraisals used in valuing the real estate involves various assumptions. Changes in the underlying assumptions will have an impact on the market value of the investments.

Fair Value

The Plan has classified its fair valued financial instrument holdings using a hierarchy that reflects the significance of the inputs used in determining their measurements.

Under the classification structure, financial instruments recorded at unadjusted quoted prices in active markets for identical assets and liabilities are classified as Level 1. Instruments valued using inputs other than quoted prices that are observable for the asset or liability either directly or indirectly are classified as Level 2. Instruments values using inputs that are not based on observable market data are classified as Level 3.

The following table classifies the Plan's required financial instruments within a fair value hierarchy:

2012 (in thousands)

	Level 1	Level 2	Level 3	Total
Bonds and debentures	$ -	$ 850,703	$ 6,574	$ 857,277
Pooled funds	-	2,131,386	287,379	2,418,765
Short-term	38,004	-	-	38,004
Real estate	-	-	6	6
Equities	1,723,995	7,293	-	1,731,288
Total	$ 1,761,999	$ 2,989,382	$ 293,959	$ 5,045,340

2012 Fair Value measurement using level 3 inputs

	Real Estate Fund	Asset-Backed Bonds	Total
Balance at April 1	$ 250,527	$ 6,574	$ 257,101
Net purchases and sales	(25)	-	(25)
Gains (losses)			
Realized	25	-	25
Unrealized	36,858	-	36,858
Balance at March 31	$ 287,385	$ 6,574	$ 293,959

2011 (in thousands)

	Level 1	Level 2	Level 3	Total
Bonds and debentures	$ -	$ 659,135	$ 6,574	$ 665,709
Pooled funds	-	2,055,096	250,519	2,305,615
Short-term	35,938	-	-	35,938
Real estate	-	-	8	8
Equities	1,868,647	1,237	-	1,869,884
Total	$ 1,904,585	$ 2,715,468	$ 257,101	$ 4,877,154

2011 Fair Value measurement using level 3 inputs

	Real Estate Fund	Asset-Backed Bonds	Total
Balance at April 1	$ 226,091	$ 6,574	$ 232,665
Net purchases and sales	2,524	-	2,524
Gains (losses)			
Realized	590	-	590
Unrealized	21,322	-	21,322
Balance at March 31	$ 250,527	$ 6,574	$ 257,101

April 1, 2010 (in thousands)

	Level 1	Level 2	Level 3	Total
Bonds and debentures	$ -	$ 577,557	$ 6,574	$ 584,131
Pooled funds	-	1,880,403	220,349	2,100,752
Short-term	26,265	-	-	26,265
Real estate	-	-	5,742	5,742
Equities	1,599,159	24,416	-	1,623,575
Total	$ 1,625,424	$ 2,482,376	$ 232,665	$ 4,340,465

2010 Fair Value measurement using level 3 inputs

	Real Estate Fund	Asset-Backed Bonds	Total
Balance at April 1	$ 259,413	$ -	$ 259,413
Net purchases and sales	(39,180)	6,574	(32,606)
Gains (losses)			
Realized	60,253	-	60,253
Unrealized	(54,395)	-	(54,395)
Balance at March 31	$ 226,091	$ 6,574	$ 232,665

5. Derivatives

Derivative financial instruments are financial contracts whose values are derived from changes in underlying assets, interest or currency exchange rates. The Plan objective is to achieve an overall Plan duration that approximates the duration of the Plan liabilities on a going-concern basis.

At March 31, 2012 the Plan held the following derivatives:

Future / Forward Contracts

The Plan has entered into foreign exchange forward contracts to hedge some of its foreign currency exposure in foreign equity pooled funds. Foreign exchange forward contracts are obligations in which two counterparties agree to exchange one currency for another at a specified price for settlement on a predetermined date in the future.

The Non North American Equity mandate managed by Tweedy Browne Company LLC and the US Equity mandate managed by BlackRock Asset Management Company Ltd. include currency hedging programs to reduce the impact of foreign currency changes on the Plan. It is the intention of both these managers to hedge 100% of the foreign currency and so the net exposure of the Plan to these foreign currency changes should be 0%. Forward contracts are used to hedge the foreign currency exposure within the mandate as indicated in the following table.

FOREIGN EXCHANGE FORWARD CURRENCY CONTRACTS

(in thousands)

		2012		2011	
# of Contracts	Currency	Notional Value *	Gain (Loss)	Notional Value *	Gain (Loss)
2	Australian Dollar	$ (1,700)	$ (56)	$ -	$ -
7	European Euro	(76,800)	1,703	(84,800)	(2,902)
2	Hong Kong Dollar	(430)	(11)	(491)	36
4	Japanese Yen	(19,600)	338	(24,400)	58
5	Mexican Nevo Peso	(2,374)	146	(2,999)	(105)
2	New Zealand Dollar	(450)	(12)	(330)	(9)
6	Norwegian Dollar	(3,950)	(23)	(3,500)	(98)
6	Pound Sterling	(41,800)	(363)	(32,900)	479
7	Singapore Dollar	(5,000)	37	(1,100)	(13)
3	South Korean Won	(1,432)	(11)	(5,650)	(85)
7	Swiss Franc	(32,100)	1,471	(26,900)	(1,609)
13	US Dollar	(222,017)	4,074	(288,676)	5,485
			$ 7,293		$ 1,237

* Notional value represents the contractual amount to which a rate or price is applied in order to calculate the exchange of cash flows and is therefore not recorded in the financial statements. Maturity dates range from April 11 2012 to April 12 2013.

Based on the current rate of exchange as of March 31, 2012, the forward contracts are in a net gain position of $7.3 million (2011 – $1.2 million). The foreign currency forward exchange contracts are short-term in duration and all current contracts as of March 31, 2012 have a maturity date of less than one year. This amount is included in short term investments on the Statement of Financial Position.

Repurchase Agreements

A repurchase agreement, also known as a repo, is a contract entered into between two counterparties to sell securities together with an agreement for the seller to buy back the securities at a later date. At March 31, 2012, the Plan has entered into repurchase agreements with a notional value of $92 million (2011 - $0) and a fair value of $(0.8) million (2011 - $0). This amount is included in bonds and debentures on the Statement of Financial Position. The repurchase agreements have a term to maturity of less than one year. The amount pledged for collateral is $10 million.

6. Transfers, Refunds and Benefits

	(thousands of dollars) 2012	2011
Termination refunds	$ 4,429	$ 5,678
Death and lump sum benefits	10,267	5,822
Variable pension benefits	46,083	38,306
Marital transfers	1,337	1,845
Transfers to registered retirement savings plans and to private companies providing annuities	95,642	103,914
Transfers out	2,645	4,749
	$160,403	$160,314

7. Due from General Revenue Fund

The Plan's bank accounts are included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan.

The Plan's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis to the Plan's bank accounts using the Government's 30 day borrowing rate and the Plan's average bank account balance. The Government's average 30 day borrowing rate in 2012 was 1.05% (2011 – 0.80%).

8. Administration Expenses

The annual operating expenditures associated with the Plan's administration are paid to the Public Employees Benefits Agency Revolving Fund except for custodial fees and investment management fees, which are paid directly.

	(thousands of dollars) 2012		2011	
	Budget	Actual	Budget	Actual
	(unaudited)		(unaudited)	
Audit fees	$ 43	$ 43	$ 40	$ 41
Administration costs	7,039	6,480	6,309	5,962
Custodial fees	1,335	1,477	1,500	1,497
Investment management fees	11,762	12,590	10,265	12,175
	$20,179	$20,590	$18,114	$19,675

9. Financial Risk Management

The nature of the Plan's operations results in a statement of financial position that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk, foreign exchange risk and equity price risk) and liquidity risk.

Significant financial risks are related to the Plan's investments. These financial risks are managed by having an investment policy, which is approved annually by the Board. The investment policy provides guidelines to the Plan's investments managers for the asset mix of the portfolio regarding quality and quantity of fixed term investments, real estate and equity investments. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in domestic and foreign markets. Derivatives are allowed within the Plan to hedge against losses and substitute for direct investment. The Board's policy prevents the use of derivatives for speculative trading or to create a portfolio with leverage. PEBA reviews and reports on regular compliance reports from its investment managers and custodian as to their compliance with the investment policy. PEBA also reviews and reports on regular compliance reports from its custodian as to the investment managers' compliance with the investment policy.

Credit risk

Credit risk is the risk that one party does not pay funds owed to another party. The Plan's credit risk arises primarily from two distinct sources: accounts receivable and certain investments. The maximum credit risk to which it is exposed at March 31, 2012 is limited to the carrying value of the financial assets summarized as follows:

	(in thousands)		
	2012	**2011**	**April 1, 2010**
Cash	$ 38,965	$ 30,919	$ 40,029
Accounts receivable	12,662	13,410	13,968
Fixed income investments *	2,099,471	1,833,832	1,646,644
Due from the General Revenue Fund	4,564	2,175	1,855

* includes short-term investments, TD Emerald Canadian Short-Term Investment Fund, bonds and debentures, and the fixed income pooled fund.

Accounts receivable are primarily made up of employee and employer contributions receivable and accrued investment income. Employee and employer contributions receivable are generally received in less than 30 days. Accrued investment income is received on the next scheduled payment date, generally either annually or semi-annually.

Credit risk within investments is primarily related to short-term investments, bonds and debentures, and the fixed income pooled funds. It is managed through the investment policy that limits fixed term investments to those of high credit quality (minimum rating for bonds, BBB, and for short-term investments is A2/P2) along with limits to the maximum notional amount of exposure with respect to any one issuer.

Credit ratings for bonds and debentures are as follows:

(in thousands)

Credit Rating	2012 Fair Value	2012 Makeup of Portfolio (%)	2011 Fair Value	2011 Makeup of Portfolio (%)	April 1, 2010 Fair Value	April 1, 2010 Makeup of Portfolio (%)
AAA	$ 424,478	49.51%	$ 307,324	46.16%	$ 285,112	48.81%
AA	219,065	25.55%	182,238	27.37%	146,940	25.16%
A	161,161	18.80%	133,125	20.00%	117,482	20.11%
BBB	51,922	6.06%	42,371	6.37%	34,597	5.92%
Not Rated	651	0.08%	651	0.10%	-	-
Total	$ 857,277	100.00%	$ 665,709	100.00%	$ 584,131	100.00%

Within bonds and debentures, there are no holdings from one issuer, other than the Government of Canada or a Canadian province, over 3.47% (2011 – 3.85%) of the market value of the combined bonds and debentures and short-term investment portfolios. No one holding of a province is over 1.88% (2011 – 1.41%) of the market value of the bond and debentures portfolio.

The Plan is also subject to credit risk through its use of forward currency contracts. The contracts are entered into between the Plan and approved counterparties. The credit risk is mitigated by limiting counterparties to specific entities approved by the Board and by settling contracts on a semi-annual basis. The currency manager must receive approval from the Board prior to engaging a new counterparty.

Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

Interest rate risk

The Plan is exposed to changes in interest rates in its fixed income investments, including bonds, debentures and the fixed income pooled funds. Duration is a measure used to estimate the extent market values of fixed income instruments change with changes in interest rates. Using this measure, it is estimated that a 100 basis point increase in interest rates would decrease net assets available for benefits by $116.7 million at March 31, 2012 (2011 - $100.7 million); representing 5.9% of the $1,971 million fair value of fixed income investments. Conversely, a decrease in interest rates of 100 basis points would increase net assets available for benefits by $116.7 million at March 31, 2012 (2011 - $100.7 million); representing 5.9% of the $1,971 million fair value of fixed income investments.

Foreign exchange

The Plan is subject to changes in the U.S./Canadian dollar exchange rate for U.S. denominated investments. Also, the Plan is exposed to EAFE (Europe, Australasia and Far East) currencies through its investment in foreign equity funds. At March 31, 2012, the Plan's exposure to U.S. equities was 19.10% (2011 – 19.70%) and its exposure to non-north American equities was 16.92% (2011 – 18.38%).

At March 31, 2012, a 10% appreciation in the Canadian dollar versus U.S. dollar exchange rate would result in approximately a $76.1 million decrease in net assets available for benefits. A 10% weakening in the Canadian dollar versus the EAFE currencies would result in approximately a $63.1 million increase in the net assets available for benefits.

The Plan's exposure to exchange rate risk resulting from the purchase of goods and services are not considered material to the operations of the Plan. The Plan has mitigated its exposure to foreign exchange through the use of derivatives as in Note 5. As at March 31, 2012, the Plan's foreign exchange exposure net of derivatives is $1,398 million. A 10% change in the exchange rate would equate to a net change of $140 million.

Equity prices

The Plan is exposed to changes in equity prices in Canadian, U.S. and EAFE markets. Equities comprise 34.32% (2011 – 38.3%) of the carrying value of the Plan's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity. No one investee represents greater than 10% of the market value of the Plan.

The following table indicates the approximate change that could be anticipated to the increase in net assets available for benefits based on changes in the Plan's benchmark indices March 31, 2012:

	(Change in thousands of $)	
	10% increase	10% decrease
S&P/TSX Composite Index	$82,995	$(82,995)
S&P 500 Index	97,905	(97,905)
MSCI EAFE Index	86,116	(86,116)

Securities Lending Program

As part of the Plan's securities lending strategy, no Plan assets have been deposited or pledged as collateral or margin. Collateral has been pledged to the Plan by various counterparties for securities out on loan to the counterparties. At March 31, 2012, the total amount of collateral pledged to the Plan amounted to $410.8 million (2011 - $481.0 million). Security lending obtains collateral of at least 105% of the market value of the securities lent. Such loans must be secured by readily marketable government bonds, treasury bills and /or letters of credit, discount notes and banker's acceptances of Canadian chartered banks.

Real Estate

Risk in the real estate portfolio is managed through diversification across types and locations. Adverse impacts in any one segment of the market or geographic location are minimized by having holdings diversified across property type, geographic location and investment size.

Liquidity risk

Liquidity risk is the risk that the Plan is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows.

10. Related Party Transactions

All Government of Saskatchewan agencies such as ministries, corporations, boards and commissions are related since all are controlled by the Government. Also, the Plan is related to non-crown enterprises that the Government jointly owns or significantly influences. Costs charged by the Public Employees Benefits Agency Revolving Fund in administering the Plan are reflected in these financial statements.

The Plan holds $10.1 million (2011 - $13.6 million) Province of Saskatchewan Bonds and Debentures with a yield of 4.46% (2011 – 4.82%). Investment income including change in market value of $1.1 million (2011 - $0.9 million) was recorded from the Province of Saskatchewan Bonds and Debentures.

The Plan has an accounts payable balance as at March 31, 2012 of $0.9 million (2011 - $0.7 million) due to the Public Employees Benefits Agency Revolving Fund.

Other related party transactions are disclosed separately in these financial statements.

Account balances resulting from the above transactions are included in the statement of net assets available for benefits and are settled at agreed upon exchange rates.

11. Capital Management

The Plan receives new capital from employee and employer contributions. The Plan also benefits from income and market value increases on its invested capital. The Plan's capital is invested in a number of asset classes including equities, bonds and debentures, real estate, pooled funds, and short-term investments. The Board has delegated the operational investment decisions to a number of different investment management firms through a number of different investment mandates as defined in the Plan's Statement of Investment Policy and Procedures.

12. Fair Value of Financial Assets and Liabilities

For the following financial assets and liabilities the carrying amount approximates fair value due to their immediate or short-term maturity:

a) contributions receivable
b) accrued investment income
c) due from General Revenue Fund
d) administrative expenses payable
e) refunds, transfers and other payables

The fair value of investments is disclosed in Note 4.

13. Comparative Figures

Certain prior year balances have been reclassified to conform with the current year's financial statement presentation

14. Value and Performance of Members' Accounts

In accordance with Canadian accounting standards for pension plans, various accruals are included in the Statement of Financial Position. However, only transactions that were processed and unitized during the fiscal year ending March 31, 2012 are reflected in the unitized account balances of members at year-end. The total value of members' unitized accounts at March 31, 2012 was $5,083 million (2011 – $4,909 million).

Investment income including changes in the market value of the investments (investment performance) and expenses is reflected in the market value of the net asset value per unit of participation and is determined daily. Investment and administration expenses relating to each Fund are accrued to or paid from the Fund prior to establishing its daily unit price. The Funds' unit price will increase or decrease according to the Funds' investment performance after expenses.

Fund transactions are processed using forward pricing. This means they are processed at the next unit price set after the Plan receives contributions or requests for transfers, refunds and benefits.

Fund transactions may be suspended temporarily at management's discretion where an accurate unit price for a Fund cannot be determined due to the unavailability of reliable market pricing or other asset valuations.

On November 1, 2007, the Plan introduced a new fund structure whereby members may choose either one of the five asset allocation Funds or the PEPP Steps Fund. In addition, each member may also choose the Short-term Bond Fund. The PEPP Steps Fund is comprised of twelve separate Funds, five of which are the asset allocation Funds. In all, there are thirteen separate Funds.

The following table shows some selected data for each of the Funds:

	2012			
	Units	Net asset value per unit	Total net assets (000's)	Return %
PEPP Step 1 (Accelerated Growth Fund)	1,346,317	96.5692	$ 130,013	-1.2%
PEPP Step 2	75,959	100.6379	7,644	-0.5%
PEPP Step 3 (Growth Fund)	1,953,623	102.239	199,736	0.5%
PEPP Step 4	245,452	104.1951	25,575	1.1%
PEPP Step 5 (Balanced Fund)	29,676,516	129.3786	3,839,507	1.9%
PEPP Step 6	219,415	109.4881	24,023	2.4%
PEPP Step 7	315,426	112.166	35,380	3.0%
PEPP Step 8 (Moderate Fund)	1,616,586	113.3145	183,183	3.5%
PEPP Step 9	503,730	114.9013	57,879	4.1%
PEPP Step 10	305,072	117.5567	35,863	4.5%
PEPP Step 11	166,315	116.0627	19,303	4.6%
PEPP Step 12 (Conservative Fund)	1,134,031	119.0006	134,950	4.8%
Short-term Bond Fund	2,935,710	132.8921	390,133	4.8%
Total Unitized Net Assets			$ 5,083,189	

	2011			
	Units	Net asset value per unit	Total net assets (000's)	Return %
PEPP Step 1 (Accelerated Growth Fund)	1,301,233	97.7724	$ 127,225	12.6%
PEPP Step 2	58,733	101.1301	5,940	12.7%
PEPP Step 3 (Growth Fund)	1,866,955	101.7243	189,915	11.5%
PEPP Step 4	185,400	103.0421	19,104	11.1%
PEPP Step 5 (Balanced Fund)	31,090,083	127.0199	3,949,059	10.5%
PEPP Step 6	207,120	106.9198	22,145	10.1%
PEPP Step 7	298,800	108.9509	32,555	9.7%
PEPP Step 8 (Moderate Fund)	1,400,339	109.5178	153,362	9.5%
PEPP Step 9	341,340	110.3881	37,680	8.8%
PEPP Step 10	293,843	112.5124	33,061	8.3%
PEPP Step 11	83,024	111.0087	9,216	7.7%
PEPP Step 12 (Conservative Fund)	735,012	113.5709	83,476	7.1%
Short-term Bond Fund	1,938,315	126.8002	245,779	3.5%
Total Unitized Net Assets			$ 4,908,517	

	April 1, 2010			
	Units	Net asset value per unit	Total net assets (000's)	Return %
PEPP Step 1 (Accelerated Growth Fund)	1,161,430	86.7951	$ 100,806	27.6%
PEPP Step 2	41,375	89.7376	3,713	26.3%
PEPP Step 3 (Growth Fund)	1,766,802	91.2059	161,143	24.0%
PEPP Step 4	140,725	92.7524	13,053	23.1%
PEPP Step 5 (Balanced Fund)	31,591,214	114.931	3,630,810	21.1%
PEPP Step 6	180,238	97.1499	17,510	19.7%
PEPP Step 7	293,641	99.3396	29,170	18.0%
PEPP Step 8 (Moderate Fund)	1,238,374	100.0143	123,855	17.5%
PEPP Step 9	299,961	101.4478	30,430	15.9%
PEPP Step 10	219,555	103.8803	22,808	13.9%
PEPP Step 11	61,376	103.0760	6,326	12.5%
PEPP Step 12 (Conservative Fund)	489,826	106.0207	51,932	11.5%
Short-term Bond Fund	1,566,120	122.4722	191,806	3.6%
Total Unitized Net Assets			$ 4,383,362	

Public Employees Pension Plan **Schedule 1**
Investment Options:
Statement of Financial Position
As at March 31, 2012

(in thousands)	Accelerated Growth Fund	Growth Fund	Balanced Fund	Moderate Fund	Conservative Fund	PEPP Step 1	Subtotal
ASSETS							
Investments							
Short-term	$ 789	$ 2,524	$ 20,560	$ 2,285	$ 12,492	$ (2)	$ 38,648
Bonds and debentures	12,730	18,865	378,343	13,563	13,204	12	436,717
Equities	75,931	86,585	1,434,049	37,113	19,600	100	1,653,378
Pooled Funds	42,342	84,648	1,970,630	82,394	82,882	57	2,262,953
	131,792	192,622	3,803,582	135,355	128,178	167	4,391,696
Receivables							
Contributions receivable - employee	227	240	623	47	-	16	1,153
Contributions receivable - employer	51	69	1,493	43	53	-	1,709
Accrued investment income	223	303	6,567	188	232	1	7,514
	501	612	8,683	278	285	17	10,376
Cash	(2,246)	(16,671)	13,853	(26,263)	6,411	324	(24,592)
Due from General Revenue Fund	116	158	3,426	98	121	-	3,919
Total assets	130,163	176,721	3,829,544	109,468	134,995	508	4,381,399
LIABILITIES							
Liabilities							
Administration expenses payable	154	209	4,648	136	131	-	5,278
Refunds, transfers, other payables	31	42	921	26	32	-	1,052
Total liabilities	185	251	5,569	162	163	-	6,330
NET ASSETS AVAILABLE FOR BENEFITS	**$ 129,978**	**$ 176,470**	**$3,823,975**	**$ 109,306**	**$ 134,832**	**$ 508**	**$ 4,375,069**

Public Employees Pension Plan **Schedule 1**
Investment Options:
Statement of Financial Position
As at March 31, 2012

(in thousands)	PEPP Step 2	PEPP Step 3	PEPP Step 4	PEPP Step 5	PEPP Step 6	PEPP Step 7	Subtotal
ASSETS							
Investments							
Short-term	$ 95	$ (214)	$ 167	$ (297)	$ 230	$ 263	$ 244
Bonds and debentures	753	811	2,536	843	2,394	3,548	10,885
Equities	3,948	4,048	10,780	3,650	7,735	10,037	40,198
Pooled Funds	2,963	3,825	12,002	5,534	13,299	20,777	58,400
	7,759	8,470	25,485	9,730	23,658	34,625	109,727
Receivables							
Contributions receivable - employee	131	222	177	136	97	87	850
Contributions receivable - employer	3	9	10	9	9	14	54
Accrued investment income	13	41	44	40	41	61	240
	147	272	231	185	147	162	1,144
Cash	(117)	15,345	89	13,297	369	757	29,740
Due from General Revenue Fund	7	22	23	21	22	32	127
Total assets	7,796	24,109	25,828	23,233	24,196	35,576	140,738
LIABILITIES							
Liabilities							
Administration expenses payable	8	24	27	30	28	41	158
Refunds, transfers, other payables	2	6	6	6	6	9	35
Total liabilities	10	30	33	36	34	50	193
NET ASSETS AVAILABLE FOR BENEFITS	**$ 7,786**	**$ 24,079**	**$ 25,795**	**$ 23,197**	**$ 24,162**	**$ 35,526**	**$140,545**

Public Employees Pension Plan **Schedule 1**
Investment Options:
Statement of Financial Position
As at March 31, 2012

(in thousands)	PEPP Step 8	PEPP Step 9	PEPP Step 10	PEPP Step 11	PEPP Step 12	Short-term Bond Fund	Subtotal	Total
ASSETS								
Investments								
Short-term	$ (862)	$ 2,045	$ 203	$ 1,300	$ 10	$ (3,584)	$ (888)	$ 38,004
Bonds and debentures	4,434	5,621	3,695	1,949	10	393,966	409,675	857,277
Equities	12,687	13,312	7,544	4,148	20	-	37,711	1,731,287
Pooled Funds	27,336	35,627	23,028	11,349	79	-	97,419	2,418,772
	43,595	56,605	34,470	18,746	119	390,382	543,917	5,045,340
Receivables								
Contributions receivable - employee	36	18	(2)	(12)	1	(121)	(80)	1,923
Contributions receivable - employer	29	23	14	8	-	153	227	1,990
Accrued investment income	128	100	62	33	1	671	995	8,749
	193	141	74	29	2	703	1,142	12,662
Cash	30,510	1,275	1,398	558	307	(231)	33,817	38,965
Due from General Revenue Fund	67	52	32	17	-	350	518	4,564
Total assets	74,365	58,073	35,974	19,350	428	391,204	579,394	5,101,531
LIABILITIES								
Liabilities								
Administration expenses payable	66	57	41	17	-	384	565	6,001
Refunds, transfers, other payables	18	14	9	5	-	94	140	1,227
Total liabilities	84	71	50	22	-	478	705	7,228
NET ASSETS AVAILABLE FOR BENEFITS	**$ 74,281**	**$ 58,002**	**$ 35,924**	**$ 19,328**	**$ 428**	**$ 390,726**	**$578,689**	**$5,094,303**

Public Employees Pension Plan **Schedule 2**
Investment Options:
Statement of Changes in Net Assets Available for Benefits
For the Year Ended March 31, 2012

(in thousands)	Accelerated Growth Fund	Growth Fund	Balanced Fund	Moderate Fund	Conservative Fund	PEPP Step 1	Subtotal
INCREASE IN ASSETS							
Investment income							
Interest	$ 457	$ 681	$ 13,912	$ 475	$ 606	$ -	$ 16,131
Pooled funds	532	1,969	63,199	3,039	3,472	1	72,212
Dividends	1,923	2,232	37,603	846	332	2	42,938
Other	5	5	43	3	2	-	58
	2,917	4,887	114,757	4,363	4,412	3	131,339
Change in fair value of investments	(3,871)	(3,868)	(31,501)	(7,327)	1,601	6	(44,960)
Contributions							
Employee contributions	4,874	5,716	75,629	2,459	2,050	252	90,980
Employer contributions	5,670	6,546	84,827	2,508	2,204	266	102,021
External transfers in	693	868	9,117	253	257	2	11,190
Interfund transfers net	(4,111)	(5,410)	(231,257)	10,474	50,357	(383)	(180,330)
	7,126	7,720	(61,684)	15,694	54,868	137	23,861
Total increase in assets	6,172	8,739	21,572	12,730	60,881	146	110,240
DECREASE IN ASSETS							
Transfers, refunds and benefits	2,615	3,278	108,678	3,940	7,987	61	126,559
Transfer to Saskatchewan Pension Annuity Fund	-	309	5,794	183	1,050	-	7,336
Investment transaction costs	105	142	3,160	92	89	-	3,588
Administrative expenses	716	911	16,321	457	299	1	18,705
Total decrease in assets	3,436	4,640	133,953	4,672	9,425	62	156,188
Net increase in net assets	2,736	4,099	(112,381)	8,058	51,456	84	(45,948)
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	127,242	172,371	3,936,356	101,248	83,376	424	4,421,017
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	**$ 129,978**	**$ 176,470**	**$3,823,975**	**$109,306**	**$ 134,832**	**$ 508**	**$4,375,069**

Public Employees Pension Plan **Schedule 2**
Investment Options:
Statement of Changes in Net Assets Available for Benefits
For the Year Ended March 31, 2012

(in thousands)	PEPP Step 2	PEPP Step 3	PEPP Step 4	PEPP Step 5	PEPP Step 6	PEPP Step 7	Subtotal
INCREASE IN ASSETS							
Investment income							
Interest	$ 25	$ 22	$ 81	$ 25	$ 84	$ 132	$ 369
Pooled funds	52	83	306	186	439	742	1,808
Dividends	93	87	248	81	195	238	942
Other	-	1	1	1	1	1	5
	170	193	636	293	719	1,113	3,124
Change in fair value of investments	(64)	1,070	(39)	(604)	(14)	44	393
Contributions							
Employee contributions	2,052	3,437	2,770	2,224	1,686	1,728	13,897
Employer contributions	2,299	3,863	3,191	2,506	1,885	1,937	15,681
External transfers in	145	271	290	193	178	135	1,212
Interfund transfers net	(2,164)	(2,127)	527	(192)	(2,151)	(1,550)	(7,657)
	2,332	5,444	6,778	4,731	1,598	2,250	23,133
Total increase in assets	2,438	6,707	7,375	4,420	2,303	3,407	26,650
DECREASE IN ASSETS							
Transfers, refunds and benefits	618	620	681	277	248	289	2,733
Transfer to Saskatchewan Pension Annuity Fund	-	-	-	-	-	-	-
Investment transaction costs	6	17	18	20	19	28	108
Administrative expenses	63	59	130	65	120	156	593
Total decrease in assets	687	696	829	362	387	473	3,434
Net increase in net assets	1,751	6,011	6,546	4,058	1,916	2,934	23,216
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	6,035	18,068	19,249	19,139	22,246	32,592	117,329
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	**$ 7,786**	**$24,079**	**$ 25,795**	**$ 23,197**	**$ 24,162**	**$ 35,526**	**$ 140,545**

Public Employees Pension Plan **Schedule 2**
Investment Options:
Statement of Changes in Net Assets Available for Benefits
For the Year Ended March 31, 2012

(in thousands)	PEPP Step 8	PEPP Step 9	PEPP Step 10	PEPP Step 11	PEPP Step 12	Short-term Bond Fund	Subtotal	Total
INCREASE IN ASSETS								
Investment income								
Interest	$ 123	$ 199	$ 146	$ 73	$ -	$ 10,889	$ 11,430	$ 27,930
Pooled funds	965	1,365	925	438	3	-	3,696	77,716
Dividends	254	325	142	64	-	-	785	44,665
Other	1	1	1	-	-	13	16	79
	1,343	1,890	1,214	575	3	10,902	15,927	150,390
Change in fair value of investments	8,511	656	476	274	82	3,625	13,624	(30,943)
Contributions								-
Employee contributions	1,551	1,111	1,507	112	21	4,743	9,045	113,922
Employer contributions	1,757	1,204	545	120	22	5,081	8,729	126,431
External transfers in	179	145	57	7	(8)	732	1,112	13,514
Interfund transfers net	9,400	16,266	3,563	10,158	243	148,357	187,987	-
	12,887	18,726	5,672	10,397	278	158,913	206,873	253,867
Total increase in assets	22,741	21,272	7,362	11,246	363	173,440	236,424	373,314
DECREASE IN ASSETS								
Transfers, refunds and benefits	382	786	2,680	1,075	177	26,011	31,111	160,403
Transfer to Saskatchewan Pension Annuity Fund	-	-	1,700	-	-	1,492	3,192	10,528
Investment transaction costs	45	39	28	12	-	-	124	3,820
Administrative expenses	174	197	138	59	1	723	1,292	20,590
Total decrease in assets	601	1,022	4,546	1,146	178	28,226	35,719	195,341
Net increase in net assets	22,140	20,250	2,816	10,100	185	145,214	200,705	177,973
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	52,141	37,752	33,108	9,228	243	245,512	377,984	4,916,330
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	**$ 74,281**	**$58,002**	**$35,924**	**$19,328**	**$ 428**	**$ 390,726**	**$ 578,689**	**$ 5,094,303**